

**WALSH**

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping3001 Northridge Drive
P.O. Drawer 419
Farmington, New Mexico 87401
(505) 327-4892

November 19, 1986

RECEIVED

NOV 20 1986

Mr. Ronald Fellows
Area Manager
Bureau of Land Management
Caller Service 4104
Farmington, New Mexico 87499**RECEIVED**

NOV 24 1986

**OIL CON. DIV.
DIST. 3****BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA**REF: Lobo Production
Gulf Federal 24, No. 1
920'FNL, 795'EWL
Section 24-T24N-R6W
Sandoval County, New Mexico
Lease No: NM-17009

Dear Mr. Fellows:

This is a request on behalf of the above-referred-to Operator for approval to vent casinghead gas from the above-referred-to well.

Attached you will find the information prepared to make an economic cost analysis of constructing a gas gathering line to gather the casinghead gas. The analysis indicates that the cost to lay a gathering system cannot be justified by estimated gas sales. The analysis also indicates that the well cannot be economically produced.

Although the analysis indicates that the well cannot be economically produced, the request for venting approval is to produce the well to obtain current information for evaluation of the well.

The well is located approximately 12,100 feet from a gas gathering system, El Paso Natural Gas Company. It is approximately 4 miles to gathering system operated by the Gas Company of New Mexico. Also El Paso Natural Gas Company will not enter into a gas purchase contract.

It is requested that approval to vent the gas be set forth.

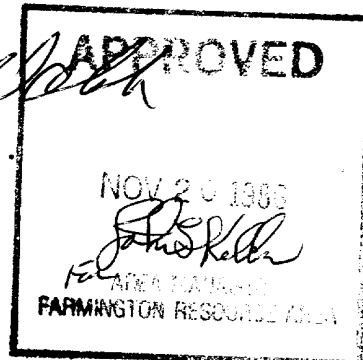
Thank you for your consideration in this matter.

Very truly yours,

Ewell N. Walsh, P.E.
President

ENW:rr

Enclosures





LOBO PRODUCTION
GULF FEDERAL 24, NO. 1
920'FNL, 795'FWL, SEC. 24-T23N-R6W
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BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA

CASINGHEAD GAS GATHERING LINE

CONDITIONS FOR EVALUATION - GAS

Working Interest	100.000000%
Revenue Interest to Working Interest	77.25%
Gas Production Vented, as per Oil Production Decline	GOR-13,500 cu.ft./bbl
Initial Vented Gas Value, per MCF, Estimated (1)	\$1.72
Production Taxes, New Mexico, Gas Value	8.0%
Ad Valorem Taxes, New Mexico, Gas Value	0.3%
Operating Costs, Gas Line (2)	\$1,000.00
Estimated Gas Line Construction Costs	\$40,160.00

- (1) Gas Sale Value remain constant throughout life of well.
- (2) Escalated, per month, at 6.0% per year. (Including fuel and operating costs, for compressor and rental of compressor).

CONDITIONS FOR EVALUATION - OIL

Working Interest	100.000000%
Revenue Interest to Working Interest	77.25%
Initial Oil Production, Per month	70 bbls.
Decline in Oil Production, Per Year	(3)
Initial Oil Sale Value, per bbl, August 1985 (1)	\$12.25
Production Taxes, New Mexico, Oil Value	8.0%
Ad Valorem Taxes, New Mexico, Gas Value	0.3%
Operating Costs, per month (2)	\$600.00
Drilling Costs to Recover	\$230,000

- (1) Oil Sale Value remain constant throughout life of well.
Sale value after deduction for transportation costs.
- (2) Escalated, per month, at 6.0% per year.
- (3) 18 months - 20%, next 36 months - 15%, next 24 months - 10%,
thereafter - 5%.



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CASINGHEAD GAS GATHERING LINE
ESTIMATED COST

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA

<u>ITEM</u>	<u>ESTIMATED COSTS</u>	
	<u>TANGIBLE</u>	<u>INTANGIBLE</u>
2-3/8", O.D. Line Pipe - 12,100'	\$7,800	
Ditch, wrap, lay & cover line - 12,100'		\$19,600
Metering Equipment	3,500	
Tie-In, Miscellaneous Roustabout - 3 days		3,000
Miscellaneous Fittings	2,000	
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SUBTOTAL	\$13,300	\$22,600
Contingency 15%	2,000	2,260
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TOTAL	\$15,300	\$24,860

Total Tangible and Intangible - \$40,160



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SUMMARY

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA

1. Combined Oil & Gas Operating Expenses vs. Net Oil Income.
 - A. No economic production.
2. Reserves Produced and Sold with Gas Conservation.
 - A. No economic production.
3. Reserves Produced and Sold with Gas Conservation.
 - A. No economic production.
4. Loss of B.T.U. Equivalent.
 - A. No economic production.
5. Pay Out of Construction of Gas Line Costs.
 - A. No economic production.